

## Rating Rationale

### Brickwork Ratings Reaffirms ‘BWR B’ & ‘BWR A4’ for Bank Loan Facilities of ₹ 6 Cr of Ambica Cashews Industries.

Brickwork Ratings (BWR) has reaffirmed the following **Ratings**<sup>1</sup> for Bank Loan Facilities of ₹6.00 Crores of Ambica Cashews Industries (the ‘Firm’).

Facility	Previous Limit (₹Cr)	Present Limit (₹Cr)	Tenure	Rating	Rating History
Cash Credit (Fund based)	1.00	1.00	Long Term	Reaffirmed at BWR B (Pronounced BWR Single B) Outlook: Stable	BWR B (Pronounced BWR Single B) Outlook: Stable (June, 2013)
Cash Credit against warehouse (Fund based)	2.00	-			
Demand Loan against warehouse (Fund based)	-	2.00			
LC (Non-Fund based)	3.06	3.00	Short Term	Reaffirmed at BWR A4 (Pronounced BWR A Four)	BWR A4 (Pronounced BWR A Four)
<b>Total</b>	<b>6.06</b>	<b>6.00</b>	<b>(INR Six Crores Only)</b>		

BWR has principally relied upon the audited financial results up to FY13, provisional financials of FY14 of Ambica Cashew Industries, publicly available information and information/clarification provided by the Firm’s management.

The rating continues to factor in, inter alia, the experience of proprietor, Long term customer relationship and able to maintain bottom line. However, the rating is constrained by low scale of operation, highly leveraged position and low tangible Networth of the firm.

#### Background:

Ambica cashew Industries is a proprietorship firm established in 2003, and is promoted by Smt. Pratti perantala ammadu. The firm is located in Tuni, Andhra Pradesh. The firm is primarily engaged in importing and exporting of cashew and cashew products.

<sup>1</sup> Please refer to [www.brickworkratings.com](http://www.brickworkratings.com) for definition of the Ratings

### **Business Operations:**

The firm is primarily engaged in importing and exporting of cashew and cashew products, 80% of the raw material (Cashew) is imported from Singapore, South Africa, Ghana and another 20% bought from the local farmers. After procurement of raw material, the value addition is to be done under the process of steaming, cashew cutting, roasting, peeling, grading and packing.

### **Financial Performance:**

The net revenue has decreased from ₹ 20.18 Crores in FY12 to ₹ 19.28 Crores in FY13. The firm's reported operating profit margin of 5.13 per cent and net profit margin of 1.11 per cent for FY13. The firm is highly leveraged with debt equity of 4.56 times in FY13 times. The tangible net-worth was ₹0.88 crores for FY13.

As per provisional provided, the firm has achieved turnover of ₹12.74 Crs for FY14.

### **Rating Outlook:**

The rating reflects the position of the firm in the food processing segment of the industry it caters to. Going forward, ability of the firm to sustain the revenue growth achieved, improve the capital structure along with its profitability margins will be the key rating sensitivities.

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